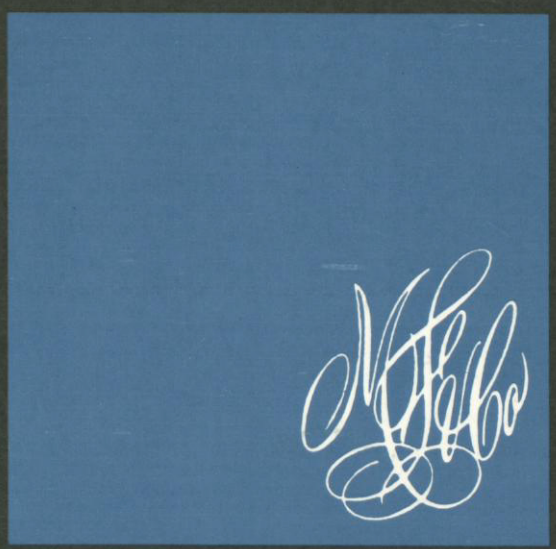


ANNUAL REPORT
OF
MARSHALL FIELD & COMPANY
YEAR ENDED JANUARY 31, 1968

RIVER OAKS

In 1967 the River Oaks store completed its first full year of service to the communities south and east of Chicago. A view from the customer parking area (top) shows this 260,000-square-foot facility, Marshall Field & Company's newest shopping center unit. It is similar in character to the Chicago Stores Division's Old Orchard and Oakbrook stores. The mall entrance (center) is a prominent feature of River Oaks and is surrounded by walkways, flower gardens and fountains. The sketch (right) shows the store's Dress Salon and illustrates the attractive settings given at River Oaks to traditional Marshall Field & Company merchandise and services.

MARSHALL FIELD & COMPANY

founded in 1852
an Illinois corporation
incorporated in 1901

executive offices:

111 NORTH STATE STREET, CHICAGO, ILLINOIS 60690

1967
ANNUAL REPORT TO SHAREHOLDERS

THE STORY IN BRIEF

(in thousands of dollars)

	Fiscal Year	
	1967	1966
Net Sales	$346,183	$325,369
Income before Federal Taxes	31,449	29,930
Net Income	16,677	15,752
Per Share	4.10	3.88
Dividends Declared	8,129	8,122
Per Share	2.00	2.00
Net Income Retained	8,548	7,630
Accounts Receivable	49,760	45,895
Merchandise Inventories	55,368	51,934
Working Capital	80,432	75,111
Capital Expenditures—		
Modernization and Replacement	3,372	2,682
Expansion	5,730	7,253
Depreciation	5,276	4,924
Shareholders' Equity	141,021	132,200
Per Share	34.65	32.55

REPORT TO SHAREHOLDERS

The Board of Directors of Marshall Field & Company submits to the Shareholders this annual report for the fiscal year ended January 31, 1968.

Sales and earnings of your Company advanced in 1967 for the seventh consecutive year and to their highest levels in our history.

Net Sales for the year were $346,183,000, a 6.4 per cent gain over last year's volume of $325,369,000 which had increased 6.3 per cent over 1965.

Net Income was $16,677,000 in 1967, 5.9 per cent higher than the prior year's total of $15,752,000. Earnings per Common Share were $4.10 as compared with $3.88 in 1966. The Company amortizes its investment credit provided by Federal income tax laws over the depreciable life of the equipment involved. This credit increased 1967 earnings $114,000 and $88,000 the year earlier.

Income before Federal Taxes was $31,449,000, or 9.1 per cent of sales, compared with last year's $29,930,000, or 9.2 per cent of sales.

Dividends per Common Share were paid during the year at the rate of $2.00, the same as the year before.

Cash and Securities amounted to $15,796,000 at January 31, 1968, compared with $16,375,000 at the prior year-end. Accounts receivable were $49,760,000 and $45,895,000 at the close of fiscal 1967 and 1966. The Company's merchandise inventory investment at year-end amounted to $55,368,000, an increase of $3,434,000, reflecting both greater sales volume and higher cost of goods.

Working Capital amounted to $80,432,000 at the fiscal year-end, compared with $75,111,000 a year earlier. The Company's ratio of current assets to current liabilities of 2.9 to 1 was the same as that of the preceding year.

Funded Debt of $23,000,000 was unchanged. Mandatory payments under our long-term loan agreement are not required until 1972, and the loan fully matures in 1982.

Minimum Rent Obligations under long-term leases currently amount to $970,000 annually.

Retirement Program payments toward the 1967 costs amounted to $2,648,000. The 1966 payment was $2,129,000. The market value of the assets of the Pension Trust was $55,026,000 on January 31, 1968. A total of $21,549,000 has been paid to 6,093 retired employes since the Trust was established twenty-five years ago.

Capital Expenditures during fiscal 1967 totaled $9,102,000 and were $9,935,000 in fiscal 1966. During the past year $5,730,000 was invested in expansion projects and $3,372,000 was expended for the modernization and replacement of existing properties and equipment. Capital expenditures in 1968 currently are estimated at $13,000,000. Depreciation amounted to $5,276,000 in 1967 and $4,924,000 in 1966.

Modernization and Improvement projects were carried on throughout the year in existing Company properties. Of particular importance was the completion of all construction and conversion work on the Chicago Stores Division's 1,500,000-square-foot Service Center acquired in 1966. Consolidation of all warehousing and service activities to be housed in this facility will be fully accomplished this spring. Of the six warehouses formerly utilized, those owned have been sold and arrangements have been completed or are being negotiated to conclude the Company's obligation on those leased.

Work continued throughout the year to improve further the facilities of the downtown Chicago store. Additional progress was made on converting passenger elevators to automated service. Modernization of selling areas was substantially completed on the Budget Floor and the Young People's Floor. At the Frederick & Nelson store in downtown Seattle, the entire second floor, devoted to fashion, was redesigned and refixtured.

Plans for 1968 include the expansion of the Company's Oakbrook store. Some 40,000 square feet of existing but unfinished space will be utilized to bring the store's total area to 375,000 square feet. This work, now in progress, is planned for completion this year. Construction of the 175,000-square-foot Southcenter store of the Frederick & Nelson Division is on schedule and it will open this summer. It will be Frederick & Nelson's third and largest shopping center unit. Another major project scheduled for this year is the installation of a complete air conditioning system in the downtown Seattle store. In addition, plans are moving ahead to provide this Division with new and expanded central warehouse facilities.

Sales and Profit experience in each of our stores last year was satisfactory. All stores operated profitably. In the first quarter severe weather in the Chicago area and uncertain economic conditions adversely affected results, but the remainder of 1967 showed improvement. Each of our stores enjoyed increased sales volume with the exception of Park Forest which, as anticipated, was affected by the new River Oaks store. The Company benefited from the first complete year of operation at River Oaks and from the expanded Old Orchard store, which continues to develop as a major retailing facility in its own right.

While a growing proportion of the Company's total sales volume is being produced by its outlying units, both the downtown Chicago and Seattle stores had new record-high sales.

Prospects for 1968 for the Company are difficult to assess at this time. Although indications of increased business activity are present, problems that vitally influence the economy seem to be increasing as well. These problems stem from a variety of sources, both economic and noneconomic, and cause concern for what lies ahead. It is clear that some must be resolved and others tempered if this nation's sound growth is to continue.

With the present high level of personal income and savings, the consumer is in a position to expand his purchases but instead has been pursuing a somewhat conservative spending pattern. Should this hesitancy change to greater confidence and the rate of consumer spending rise, then the pressure on profit margins from the continuing upward trend of wages and other expenses would be lessened.

The demands upon business in this uncertain environment pose a considerable challenge. However, your Company is financially strong and fully capable, we believe, of meeting the problems of these changing times. Having emphasized quality in expansion rather than quantity alone, we have a sound base for continued profitable growth. These strengths give us confidence that 1968 can be another good year for Marshall Field & Company.

At the Annual Meeting of Shareholders last year Mr. Harry O. Bercher, President of International Harvester Company, was elected a member of our Board of Directors. He succeeded Mr. William V. Kahler, retired Chairman of Illinois Bell Telephone Company, who decided not to stand for reelection. Mr. Kahler, an esteemed associate, served with distinction as a Director since 1953.

Administrative Changes since the last annual report include the election of Mr. Clarence T. Gregg as Senior Vice President and his appointment as General Merchandise Manager of the Chicago Stores Division. He succeeded Mr. Harry D. Perkins who retired after more than forty-four years of distinguished service. Mr. Charles W. Folds, Vice President, Merchandising, was appointed Assistant General Merchandise Manager.

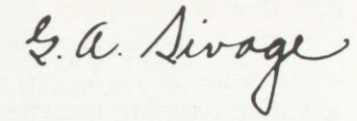
Mr. George G. Rinder was elected to the new office of Vice President-Finance. Mr. William L. English was elected Vice President and Comptroller succeeding Mr. Rinder, and Mr. Edwin C. Parker was appointed Assistant Treasurer.

Having reached retirement age, Mr. Earle Harrison, Vice President and Treasurer of the Company, retired on January 31, 1968, as did Mr. Charles C. Holloway, Vice President, Merchandising, and Mr. John T. Moss, Vice President, Design, both of the Chicago Stores Division. Mr. Lloyd H. Richmond, Vice President, Personnel, of this Division, has decided to retire also. Mr. Harrison, Mr. Holloway, Mr. Moss and Mr. Richmond each had a long and exceptional career with the Company. Mr. Donald K. Keith was appointed Vice President, Personnel, of the Division.

Mr. Ashton Osborne, Mr. Willard L. Arnold and Mr. Arthur D. Bradbury were recently appointed Vice Presidents, Merchandising, in the Chicago Stores Division. Mr. Charles Dunlop was appointed Vice President and Divisional Comptroller of that Division.

In Conclusion it is our pleasure to acknowledge with deep appreciation the support during the past year of our customers, our suppliers, our associates in the business and our many shareholders.

By Order of the Board of Directors,



President

March 15, 1968

MARSHALL FIELD & COMPANY
INCOME STATEMENT

	Fiscal Year Ended January 31, 1968	Fiscal Year Ended January 31, 1967
NET SALES	$346,182,585	$325,369,239
DEDUCT:		
Cost of goods sold and expenses, exclusive of items listed below	$296,202,284	$278,442,070
Maintenance and repairs	3,302,727	3,037,757
Depreciation and amortization	5,276,024	4,923,917
Taxes other than Federal income taxes	8,086,691	7,426,689
Rentals paid	1,405,531	1,192,467
Net interest expense	460,325	416,046
Total costs (Note 1)	$314,733,582	$295,438,946
INCOME BEFORE FEDERAL INCOME TAXES	$ 31,449,003	$ 29,930,293
Federal income taxes	14,772,000	14,178,000
NET INCOME	$ 16,677,003	$ 15,752,293
NET INCOME PER COMMON SHARE	$ 4.10	$ 3.88

NOTES TO FINANCIAL STATEMENTS

(1) Total costs as reported to the Securities and Exchange Commission are classified as follows:

Cost of goods sold, buying and occupancy expenses	$242,840,515	$228,602,088
Selling, general and administrative expenses	71,432,742	66,420,812
Net interest expense	460,325	416,046
	$314,733,582	$295,438,946

(2) Retirement plans cover, subject to certain length-of-service requirements, substantially all full-time employes. It is the Company's present policy to charge income annually with the cost of pensions earned by employes during the year. This charge is increased by interest on unfunded pension liability or decreased by amortization over a 20-year period of the excess of trust fund assets over pension liability, whichever is applicable. Total retirement plan expense for the current year was $2,648,000. The Company's present policy is to fund currently each year's total expense.

EARNED SURPLUS

BALANCE AT JANUARY 31, 1967	$102,947,676
Net income	16,677,003
	$119,624,679
Cash dividends declared on Common Shares—$2.00 per share	8,129,112
BALANCE AT JANUARY 31, 1968	$111,495,567

SOURCE AND DISPOSITION OF FUNDS

	Fiscal Year Ended	
	January 31, 1968	January 31, 1967
SOURCE OF FUNDS:		
Net income	$16,677,003	$15,752,293
Depreciation and amortization	5,276,024	4,923,917
	$21,953,027	$20,676,210
Sales of Common Shares under options	273,348	83,995
Miscellaneous	325,875	145,331
	$22,552,250	$20,905,536
DISPOSITION OF FUNDS:		
Additions to property and equipment	$ 9,102,125	$ 9,934,803
Dividends to shareholders	8,129,112	8,122,202
	$17,231,237	$18,057,005
INCREASE IN WORKING CAPITAL	$ 5,321,013	$ 2,848,531

AUDITORS' REPORT

To the Shareholders of Marshall Field & Company:

We have examined the balance sheet of MARSHALL FIELD & COMPANY (an Illinois corporation) as of January 31, 1968, and the related statements of income, earned surplus and source and disposition of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying balance sheet and statements of income, earned surplus and source and disposition of funds present fairly the financial position of Marshall Field & Company as of January 31, 1968, and the results of its operations and the source and disposition of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois
March 1, 1968

MARSHALL FIELD & COMPANY
BALANCE SHEET

ASSETS	January 31, 1968	January 31, 1967
CURRENT ASSETS:		
Cash	$ 7,395,650	$ 7,459,321
Short-term investments, at cost	8,400,781	8,915,642
Receivables from customers and others, less allowance for doubtful accounts of $951,000 at the end of each year	49,760,212	45,895,130
Merchandise inventories, priced at the lower of cost or market	55,367,985	51,933,615
Prepaid insurance, supply inventories, etc.	1,151,162	1,177,560
Total Current Assets	$122,075,790	$115,381,268
PROPERTY AND EQUIPMENT (at cost):		
Land	$ 19,098,368	$ 19,210,383
Buildings	81,756,854	77,539,455
Equipment	36,214,531	36,689,040
	$137,069,753	$133,438,878
Less accumulated depreciation and amortization	53,480,947	53,350,298
Net Property and Equipment	$ 83,588,806	$ 80,088,580
GOODWILL, TRADEMARKS, ETC.	$ 1	$ 1
	$205,664,597	$195,469,849

LIABILITIES	January 31, 1968	January 31, 1967
CURRENT LIABILITIES:		
Accounts payable	$ 11,968,220	$ 11,203,099
Accrued Federal income taxes	9,937,433	10,910,261
Other accrued liabilities	19,738,004	18,156,788
Total Current Liabilities	$ 41,643,657	$ 40,270,148
3¾% NOTES, maturing from 1972 to 1982	$ 23,000,000	$ 23,000,000
SHAREHOLDERS' EQUITY:		
Cumulative Preferred Shares— Authorized 150,000 shares of $100 par value, issuable in series; no shares issued.		
Common Shares— Authorized 8,000,000 shares of no par value. At January 31, 1967, options for 45,620 shares were outstanding and 103,980 shares were available for granting of options. During the year options were exercised for 9,100 shares, cancelled for 1,000 shares, and none were granted. At January 31, 1968, options for 35,520 shares were outstanding and exercisable currently at $14.50 to $51.25 per share; 104,980 shares were available for granting of options.		
Issued and outstanding 4,070,426 shares at January 31, 1968, at stated value	$ 20,577,779	$ 20,304,431
Paid-in Surplus	8,947,594	8,947,594
Earned Surplus ($71,994,946 available for dividends on Common Shares under terms of 3¾% Notes)	111,495,567	102,947,676
Total Shareholders' Equity	$141,020,940	$132,199,701
	$205,664,597	$195,469,849

MARSHALL FIELD & COMPANY
TEN YEAR SUMMARY

(in thousands of dollars)

Fiscal Year	1967	1966	1965
Operating Results			
Net Sales	$346,183	$325,369	$306,034
Income before Federal Income Taxes	31,449	29,930	28,246
Per cent of Sales	9.1	9.2	9.2
Federal Income Taxes	14,772	14,178	13,416
Net Income	16,677	15,752	14,830
Per cent of Sales	4.8	4.8	4.8
Per Common Share (1)	4.10	3.88	3.66
Dividends Declared —			
Preferred Shares	—	—	—
Common Shares	8,129	8,122	7,505
Per Common Share (1)	2.00	2.00	1.85
Net Income Retained	8,548	7,630	7,325
Capital Expenditures —			
Modernization and Replacement	3,372	2,682	3,027
Expansion	5,730	7,253	6,274
Total	9,102	9,935	9,301
Depreciation	5,276	4,924	4,954
Financial Position			
Accounts Receivable	$ 49,760	$ 45,895	$ 42,511
Merchandise Inventories	55,368	51,934	46,270
Working Capital	80,432	75,111	72,263
Net Property and Equipment	83,589	80,089	75,223
Long-Term Debt	23,000	23,000	23,000
Common Shareholders' Equity	141,021	132,200	124,486
Per Common Share (1)	34.65	32.55	30.68

Notes: (1) Adjusted to reflect two-for-one stock split effective May 10, 1961.

(2) Excludes net gain on land sale of $2,250,000 equivalent to 56 cents per Common Share.

(3) At the end of the fiscal year 1964 accounts receivable were decreased approximately $12,500,000 as the result of the sale of all installment receivables pursuant to adoption in 1965 of the installment method of tax accounting.

1964	1963	1962	1961	1960	1959	1958
$280,105	$256,615	$242,399	$235,723	$234,201	$234,339	$217,979
24,497	19,040	18,490	18,317	17,881	18,437	14,914
8.7	7.4	7.6	7.8	7.6	7.9	6.8
12,056	9,672	9,329	9,210	9,021	9,250	7,500
12,441	9,368(2)	9,161	9,107	8,861	9,187	7,414
4.4	3.7	3.8	3.9	3.8	3.9	3.4
3.09	2.33(2)	2.26	2.25	2.21	2.25	1.75
—	—	41	199	201	312	525
6,658	6,036	5,623	5,572	4,907	4,922	4,402
1.65	1.50	1.40	1.40	1.25	1.25	1.12½
5,783	3,332(2)	3,497	3,335	3,752	3,953	2,487
3,177	2,100	2,187	1,993	1,770	1,998	2,080
1,759	4,377	4,137	6,987	755	157	3,191
4,936	6,477	6,324	8,980	2,525	2,155	5,271
4,760	4,518	4,325	4,120	3,971	3,866	3,533
$ 25,621(3)	$ 34,387	$ 30,086	$ 28,662	$ 28,694	$ 29,909	$ 26,932
42,518	37,852	34,878	33,816	31,440	31,903	31,504
69,909	64,782	61,386	65,634	66,536	62,903	61,932
70,876	70,991	69,573	67,597	62,905	64,527	66,671
24,000	25,000	26,000	27,000	28,000	29,000	30,000
116,785	110,773	104,959	101,542	96,751	93,434	88,919
28.91	27.49	26.13	25.31	24.63	23.73	22.68

BOARD OF DIRECTORS

HARRY O. BERCHER
EDWARD McC. BLAIR
JOHN M. BUDD
KENT CHANDLER
DAVID W. DAVIDSON
HENRY P. ISHAM
HUGHSTON M. McBAIN
JOHN McKINLAY
HOWARD M. PACKARD
JAMES L. PALMER
GERALD A. SIVAGE

CORPORATE OFFICERS

GERALD A. SIVAGE	*President*
DAVID W. DAVIDSON	*Executive Vice President*
CLARENCE T. GREGG	*Senior Vice President*
CORNELIUS J. BYRNE	*Vice President*
RALPH E. BOWERS	*Vice President and Secretary*
GEORGE G. RINDER	*Vice President-Finance*
WILLIAM L. ENGLISH	*Vice President and Comptroller*
EDWIN C. PARKER	*Assistant Treasurer*
ROBERT A. WILBRANDT	*Assistant Secretary*

DIVISION OFFICERS

Chicago Stores Division

WILLARD L. ARNOLD	*Vice President, Merchandising*
VERLE L. BARBER	*Vice President, Merchandising*
EINAR L. BJORKLUND	*Vice President, Merchandising*
ARTHUR D. BRADBURY	*Vice President, Merchandising*
JOSEPH A. BURNHAM	*Vice President, Operating*
EDMUND J. DOERING	*Vice President, Merchandising*
CHARLES DUNLOP	*Vice President, Divisional Comptroller*
CHARLES W. FOLDS	*Vice President, Merchandising*
CARL D. GULDAGER	*Vice President, Advertising and Public Relations*
DONALD K. KEITH	*Vice President, Personnel*
ARTHUR E. OSBORNE, JR.	*Vice President, Merchandising*
ASHTON OSBORNE	*Vice President, Merchandising*
PAUL H. STROHM	*Vice President, Merchandising*

Frederick & Nelson Division

ROY S. LEIGHTON	*Vice President, Personnel*
W. ANDREW ROSS	*Vice President, Divisional Comptroller*
M. L. STORHOW	*Vice President, Operating*
JASPER UTZ	*Vice President, Merchandising*

Mayfair Division

ARNOLD D. K. MASON	*Vice President, Merchandising*

Real Estate Division

CHARLES M. RHODES	*Vice President, Real Estate*

Transfer Agents
CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO
Chicago

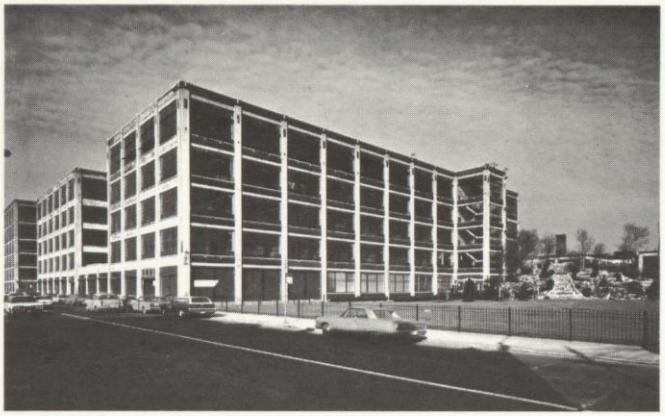
MORGAN GUARANTY TRUST COMPANY OF NEW YORK
New York

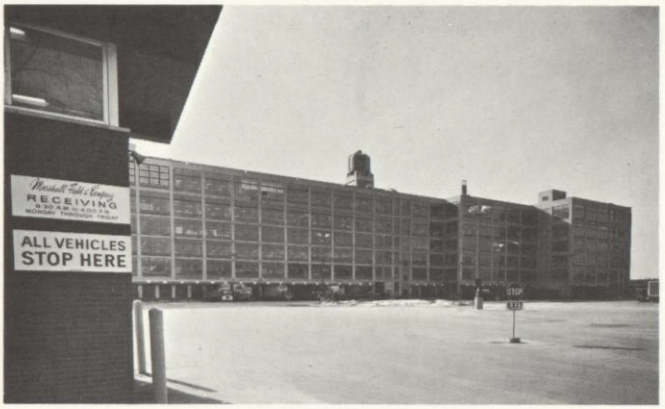
Registrars
THE FIRST NATIONAL BANK OF CHICAGO
Chicago

BANKERS TRUST COMPANY
New York

General Counsel
WILSON & McILVAINE
Chicago

Public Accountants
ARTHUR ANDERSEN & CO.
Chicago





PROGRESS REPORT

Shown here are several significant developments at Marshall Field & Company during 1967. All construction and conversion work was completed on the 1,500,000-square-foot Service Center for the Chicago Stores Division (two photos at top right). Consolidation of operating services into this one facility is now taking place. The upper picture is a view of the building along West Diversey Avenue. The lower photo shows the new shipping and receiving docks and service area. The architect's rendering (above) presents the Southcenter shopping center in which a Frederick & Nelson store is now under construction and scheduled to open this year. This will be the third and largest of Frederick & Nelson's stores serving the outlying Seattle area. At right is the Old Orchard store when a third floor was being added to the building. This expansion, completed last year, added 75,000 square feet of selling space to Old Orchard, the largest of the Company's shopping center stores.

MARSHALL FIELD & COMPANY
STORE LOCATIONS

Chicago Stores Division

Downtown Chicago Store
111 North State Street, Chicago

Evanston
1700 Sherman Avenue, Evanston

Lake Forest
682 North Bank Lane, Lake Forest

Oakbrook
One Oakbrook Center Mall, Oak Brook

Oak Park
1144 Lake Street, Oak Park

Old Orchard
One Old Orchard, Skokie

Park Forest
333 Plaza, Park Forest

River Oaks
One River Oaks, Calumet City

Serving Milwaukee

Mayfair
One Mayfair Mall North
Wauwatosa, Wisconsin

Frederick & Nelson Division

Downtown Seattle Store
5th and Pine Streets, Seattle

Aurora Village
20218 Aurora Village Square North
Seattle

Bellevue Square
Bellevue, Washington

Southcenter
Tukwila, Washington

COMMERCIAL FURNISHINGS
Contract Sales Division
201 Merchandise Mart, Chicago

BUYING FACILITIES

New York City
London, England
Paris, France
Frankfurt/Main, Germany
Athens, Greece
Florence, Italy
Barcelona, Spain
Lisbon, Portugal
Tokyo, Japan
Hong Kong
Seoul, Korea
Taipei, Taiwan